



Press Release

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WEEE inequality of treatment threatens existence of local computer retailers 30,000 UK jobs at risk

Leek, Staffordshire 26 March 2007

Hendy Armstrong, Secretary and Committee Member of ITACS, states: The European WEEE Directive was adopted by the EC in 2003, the objectives of which were to reduce the amount of electrical and electronic equipment (EEE) going to landfill and to increase re-use, recycling and recovery: all admirable aims and fully supported by our Association. It also directs that the producers should bear the end-of-life costs of EEE waste (WEEE); that is, the monitor, printer, computer and accessories manufacturers and importers. However, the operating framework adopted by the UK Government is already showing itself to be fundamentally flawed, inequitable and a serious threat not only to the viability of thousands of small information technology businesses throughout the country but also tens of thousands of IT sector jobs. It is now clear that the compliance costs for the Independent IT Sector are proving significantly greater than that borne by the big IT superstores, supermarkets and internet retailers. ***This inequality will lead to a cost increase some fifteen times higher for the average Independent than that incurred by big retail businesses.***

The WEEE Regulations (Dec) 2006 implemented the EC WEEE Directive within the UK. The 80 page DTI Guidelines explaining requirements were published on the 28 February 2007. These Guidelines informed, for the first time, that registrations and substantial fee payments for the various compliance schemes were required by 15 March 2007. To not register by the deadline would be an offence. Two weeks was wholly inadequate to even grasp the outline let alone the detail of the complex Guidelines. It is only now that the impact, burden and inequality of the UK implementation requirements are beginning to be appreciated.

It is fair to say that the regulatory framework was drawn up by legislators who took little, if any account of the many thousands of Information Technology micro-enterprises that populate the UK

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today. Paradoxically, by disadvantaging the Independents, it is likely that this poorly considered implementation will end up achieving the exact opposite of the aims of WEEE Regulations. These small, owner-managed businesses have actually been at the vanguard of re-use, recovery and recycling of equipment for years. They have served their local communities by providing dedicated and professional services, aiding the retention of equipment that would otherwise have been disposed of in landfill. They are the computer experts consumers turn to when their superstore-bought computer fails, or when the big-name company lets them down. These local shops maintain and repair most of the computer products sold in the UK, and provide technical support to hundreds of thousands of small businesses throughout the country. Most are “manufacturing” only a handful of computers every month. For years, all have been actively salvaging, refurbishing and putting unwanted IT equipment to re-use, pre-empting the introduction of the WEEE Directive. The same cannot be said for the mass merchandisers and internet retailers where a sale generates the maximum WEEE.

It is totally unacceptable that the unequal implementation and operating costs of WEEE compliance are significantly more favourable to the really big retailers and, ultimately, will endanger the viability of these small local independent businesses by placing them at a further huge disadvantage. The following are just some examples of this inequality & the threat to the Independents:

1. The “Distributor Take-Back Scheme” registration fees to fund a network of “Distributor Collection Facilities (DCF) is disproportionate to these small businesses. Each can elect to register, allowing customers to deposit EEE waste at the DCF facilities. According to the fee scale, this will add up to 0.75% to the prices for Independents but only 0.05% to the distance sellers, superstores, supermarkets and large internet retailers.

A small business with EEE sales turnover of £100,000 is required to pay a fixed fee of £750 equating to £0.0075 per retail £. From this, each £1billion turnover by this section of the small independent sector generates £7.5million of fees. For others with EEE sales in excess of £1million, such as DSG International, Dell, supermarkets and internet retailers, fees are the proportion of £8.8million that makes up the market share of each. Using £0.0075 per retail £ as the benchmark and £8.8million as the target receipts would suggest that the combined turnover of businesses larger than £1million is only £1.173billion. This is obviously ridiculous as the turnover of DSGi alone is much greater than £1.173billion, demonstrating quite clearly both the disproportionate fee structure and the clear advantage handed to the large corporate companies that already dominate this sector.

2. As a “producer” of a handful of PCs per month, an independent will also be required to register with one of the 37 small “Producer Compliance Schemes” (PCS) and also the Environment Agency, again at significant and disproportionate cost. But this is not the whole point. Should a PCS fail, or even another member business fail, the liability of that loss is joint and several across those

members registered with that scheme. This would seriously threaten the viability of the small independent business and, at the minimum, add significant risk of an unquantifiable loss. It seems that the DTI has established a new type of Limited Company Legal Entity where the shareholders lose only the value of their shares and its customers are responsible for the majority of all other debts - a strange scenario indeed.

In a fair world each PCS would be required to provide a Bond to protect its registered members from unlimited liability in the event of PCS company failure.

3. Many of the PCSs' are new start up businesses, approved by the DTI, yet for some the underlying viability seems exceptionally shaky with one such company having a share capitalisation of less than £1000.

ITACS believes the Government criteria within the approval process should have included a duty of care regarding financial viability, reserves and other factors affecting business sustainability. In the absence of guarantees and protection, ITACS suggests a Bond scheme as above. Without this protection, this sector runs the real risk of becoming victim to "Get Rich Quick" schemes that will patently fail to meet the aims of the legislation.

4. The distance sellers, supermarkets and internet retailers can tell their customers to deposit their unwanted WEEE at a local DCF at no cost to either the business or the consumer. Most of the "large" sales by small independents result from un-repairable items brought in for test and left by the customer for disposal. These are not permitted to deposit this WEEE in a DCF, even though registration fees have been paid to set them up. They are required to send it to their PCS at their own expense adding up to 5% to the cost of sale. The likes of Dabs.com, Tesco, etc will incur no transportation expense from the DCF to a PCS and hence no addition to the cost of sale.

The small independents really should be allowed to deposit their small amounts of residual waste free of charge in the DCFs they have helped to finance, putting them on an equal footing basis with the superstores.

5. On the deposit of WEEE at the PCS the small independent shall be charged for reprocessing costs (membership terms and conditions apply but which were not available until after registration) despite the fact that this may be, for example, a Dell 19" CRT monitor, adding another 5% on the cost of sale. Again, the likes of Dabs.com and Tesco would incur no processing cost and no addition to the cost of sale of a replacement to a consumer in the same scenario with Dell, the producer, picking up the charge in that case.

Again, dispensation should be given for small, local businesses to deposit free of charge in local DCFs placing end-of-life cost liability back on to the manufacturer/producer thus alleviating the misplaced burden arising from the adoption of others responsibilities.

Hendy Armstrong states: We are unhappy with many other aspects of the implementation approach to the WEEE Directive that will put both our members and indeed many other small businesses in both the IT and electrical retail sectors at a serious disadvantage that risks the ability to trade . Sector prices for Independents will have to rise by up to 10% more than all the others just to stand still. The Association has serious concerns about the resultant future viability of the entire Independent IT sector that the Government seems to have abandoned when formulating regulatory requirement. Should this sector fail, consumer choice will be restricted resulting in increased repair costs that, in turn, will further encourage a throw away society. As the vast majority of small companies in this sector carry out repairs and refurbishments that result in the extension of the life of EEE, this will, paradoxically, increase the volume of end of line WEEE processing – a tragic result and completely at odds with the Directive aims.

If the current, ill-considered status quo is allowed to prevail, the very existence of up to 12,000 small local businesses within the IT and electrical sector will be endangered together with potential for loss of up to 30,000 jobs.

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Further information:

ITACS.

Founded in August 2006 from popular demand to look after the specific interests of the small independent retailer/service provider not adequately represented by existing organisations, the Independent Trade Association of Computing Specialists has become the fastest growing, not for profit trade body in this sector. With a membership of 930 individual businesses, it's Committee and expertise is wholly drawn from within the sector. Its formation unfortunately post dated the consultation phase of WEEE implementation and the self-evident lack of proper representation at this crucial stage fully justifies its current existence. Further information can be obtained at www.itacs.org.uk or telephone 01538 373978.

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With support from:

**NASCR - The Trade Association for the Independent Computer Reseller -
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The Association aims to improve the quality of service in the IT field, producing a Code of Ethics and Code of Practice in conjunction with Trading Standards

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